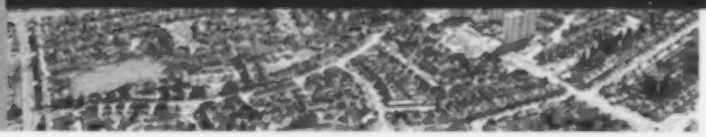
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Québec Region Highlights



Canada Mortgage and Housing Corporation

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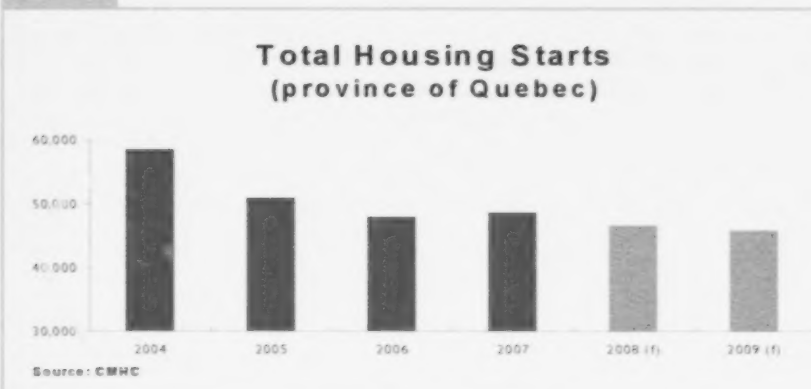
Starts to remain at high level in 2008

Figure 1

Figure 2



Despite a recent weakening of home buying conditions, the economic and demographic growth of the past year will help sustain Quebec housing demand at relatively high levels this year and next. As the province's economy grows thanks to domestic spending and investment, recent job growth and disposable income increases will continue to fuel demand. While the strong Canadian dollar has stimulated private investment, government infrastructure projects and tax cuts will be a key source of economic growth in the near term. The outlook for the province's export sector remains weak as the current exchange rate, growing foreign competition and decreased foreign demand (this shall be especially true of the manufacturing sector) continue to erode GDP growth. We thus expect the Quebec economy to grow by 0.9 per cent this year and under two per cent in 2009, while job growth registers approximately one per cent.

As the province's economy continues to grow and the provincial government increases its

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immigration targets, net migration will strengthen in the coming years. Moreover, population aging will continue to fuel demand. This and the relatively low level of mortgage rates shall translate into 46,500 starts in 2008 and over 45,000 the following year.

In Detail

Single Starts : Although single-family starts will benefit from the current economic and financial environment, demand for such homes will be weakened by the recently rising supply of resale homes. Moreover, potential demand should gradually shift toward less expensive substitutes such as semi-detached, row and even apartment (condominium) housing. Approximately 20,000 starts are expected in both 2008 and 2009.

Multiple Starts : The multi-family home market will benefit from the current environment. Still, after a year of vigorous construction of retirement homes in 2007, starts of multi-family homes will cool to 27,500 units in 2008 and over 26,000 the following year.

Resales : Sales of existing homes should decline in 2008 but will remain strong in the coming years. Demand for condominiums (town houses or apartments) shall be an important component. Sales of existing homes on the Multiple Listing Service (MLS) should record just under 76,000 in 2008 and around 77,000 2009.

Prices : As sales cool and as inventories rise, price growth shall not be as strong in the coming years. Cooling demand should keep price growth under the 5 per cent mark in 2008 and 2009. As a result, the MLS average resale price will approach $ 218,000 in 2008 and $ 224,000 in 2009.

Spring rental market survey

According to CMHC's 2008 spring rental market survey, the average vacancy rate of private buildings comprising three units or more was 2.5% in urban centres in Quebec. This result, which represents a stability compared to the rate observed during the same period last year (2.4 per cent), is emblematic of the overall situation of CMAs. As for smaller urban areas, although the survey shows an almost identical result (2.4 per cent), it represents a certain easing when compared to that of the spring of 2007 (between 1.5 and 1.9 per cent). Moreover, market situations in these areas are more variable. In most major regions, supply and demand for rental housing have remained relatively stable over the last year. The market is tighter in the case of larger apartments. Few rental units were added to the market and demand remained strong.

Mortgage rates

Both short and long-term interest rates are expected to remain within 25-50 basis points of their current levels in Canada and the U.S. for the rest of this year, then edge higher in 2009. Canadian mortgage rates are expected to remain within 25-75 basis points of their current level this year and next. One and five-year mortgage rates are forecast to be in the 6.50-7.25 and 6.75-7.50 per cent range respectively in 2008-09.

Mortgage rates		
1 Year	Q2 2008	6,68
	% pt. chg from Q2 2007	-0,15
	2008 (F)	6,82
	2009 (F)	6,84
5 Year	Q2 2008	6,93
	% pt. chg from Q2 2007	-0,08
	2008 (F)	7,12
	2009 (F)	7,42

Source: Bank of Canada, CMHC Forecast

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ($)[2]
Gatineau	Q2 2008	8.0	5.5	826.97	Q2 2008	623	282	341	1,527	$191,859
	Q2 2007	2.8	5.6	803.18	Q2 2007	718	302	416	1,526	$180,899
	Change[1]	5.2	-0.1	3.0%	% Change	-13.2	-6.6	-18.0	0.1	6.1
Montréal	Q2 2008	-0.4	7.6	724.61	Q2 2008	6,218	2,393	3,825	13,198	$269,820
	Q2 2007	3.1	6.5	709.02	Q2 2007	6,840	2,744	4,096	13,617	$259,614
	Change[1]	-3.5	1.1	2.2%	% Change	-9.1	-12.8	-6.6	-3.1	3.9
Québec	Q2 2008	2.7	4.9	725.45	Q2 2008	2,154	759	1,395	1,965	$187,876
	Q2 2007	-0.1	4.9	678.85	Q2 2007	1,996	826	1,170	2,132	$170,582
	Change[1]	2.8	0.0	6.9%	% Change	7.9	-8.1	19.2	-7.8	10.1
Saguenay	Q2 2008	-5.7	9.4	676.07	Q2 2008	217	160	57	416	$145,297
	Q2 2007	-0.4	8.8	679.04	Q2 2007	206	150	56	437	$130,599
	Change[1]	-5.3	0.6	-0.4%	% Change	5.3	6.7	1.8	-4.8	11.3
Sherbrooke	Q2 2008	-3.1	5.6	703.88	Q2 2008	518	243	275	569	$183,394
	Q2 2007	2.8	6.0	673.63	Q2 2007	466	209	257	604	$178,061
	Change[1]	-5.9	-0.4	4.5%	% Change	11.2	16.3	7.0	-5.8	3.0
Trois Rivières	Q2 2008	1.3	8.6	663.06	Q2 2008	344	123	221	300	$132,464
	Q2 2007	5.4	7.6	658.04	Q2 2007	340	153	187	260	$122,295
	Change[1]	-4.1	1.0	0.8%	% Change	1.2	-19.6	18.2	15.4	8.3
Quebec	June 08	0.5	7.2	705.95	Q2 2008	14,524	6,999	7,525	25,823	$214,489
	June 07	2.5	6.9	685.44	Q2 2007	15,550	8,141	7,409	25,816	$205,620
	Change[1]	-2.0	0.3	3.0%	% Change	-6.6	-14.0	1.6	0.0	4.3
Canada	June 08	1.7	6.2	777.73	Q2 2008	62,087	29,267	32,820	146,219	$315,760
	June 07	2.1	6.1	744.90	Q2 2007	64,615	35,673	28,942	168,790	$310,161
	Change[1]	-0.3	0.1	4.4%	% Change	-3.9	-18.0	13.4	-13.4	1.8

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

[2]For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Local Real Estate Boards

"SA" means Seasonally Adjusted

Quebec Region Housing Forecast - New Construction

	Housing Starts	2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Gatineau	Single-Detached	1,037	1,000	-3.6	850	-15.0	450	458	-1.7
	Multiple	1,751	1,800	2.8	1,650	-8.3	770	677	13.7
	Total	2,788	2,800	0.4	2,500	-10.7	1,220	1,135	7.5
Montréal	Single-Detached	8,013	7,000	-12.6	6,800	-2.9	3,656	4,218	-13.3
	Multiple	15,220	15,500	1.8	15,200	-1.9	7,963	6,906	15.3
	Total	23,233	22,500	-3.2	22,000	-2.2	11,619	11,124	4.4
Québec	Single-Detached	2,144	1,900	-11.4	1,750	-7.9	1,028	1,171	-12.2
	Multiple	3,140	3,300	5.1	2,950	-10.6	1,995	1,539	29.6
	Total	5,284	5,200	-1.6	4,700	-9.6	3,023	2,710	11.5
Saguenay	Single-Detached	373	370	-0.8	335	-9.5	185	168	10.1
	Multiple	312	785	151.6	215	-72.6	67	64	4.7
	Total	685	1,155	68.6	550	-52.4	252	232	8.6
Sherbrooke	Single-Detached	666	725	8.9	710	-2.1	338	288	17.4
	Multiple	652	610	-6.4	850	39.3	376	407	-7.6
	Total	1,318	1,335	1.3	1,560	16.9	714	695	2.7
Trois Rivières	Single-Detached	430	385	-10.5	325	-15.6	182	197	-7.6
	Multiple	767	715	-6.8	575	-19.6	348	342	1.8
	Total	1,197	1,100	-8.1	900	-18.2	530	539	-1.7
Quebec	Single-Detached	22,177	19,100	-13.9	19,750	3.4	9,441	11,377	-17.0
	Multiple	26,376	27,500	4.3	26,000	-5.5	13,627	12,265	11.1
	Total	48,553	46,600	-4.0	45,750	-1.8	23,068	23,642	-2.4
Canada	Single-Detached	118,917	97,925	-17.7	93,225	-4.8	44,596	54,894	-18.8
	Multiple	109,426	117,550	7.4	100,875	-14.2	61,101	50,437	21.1
	Total	228,343	215,475	-5.6	194,100	-9.9	105,697	105,331	0.3

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast

Quebec Region Housing Forecast - Resale Market

		2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Gatineau	MLS® Sales	4,607	4,500	-2.3	4,300	-4.4	2,498	2,669	-6.4
	MLS® Avg. Price	185,693	192,000	3.4	197,500	2.9	191,859	180,899	6.1
Montreal	MLS® Sales	43,543	41,700	-4.2	40,500	-2.9	25,149	26,123	-3.7
	MLS® Avg. Price	253,340	263,500	4.0	271,400	3.0	262,471	248,140	5.8
Quebec	MLS® Sales	7,287	7,000	-3.9	7,200	2.9	2,039	2,266	-10.0
	MLS® Avg. Price	178,212	196,000	10.0	210,000	7.1	187,876	170,582	10.1
Saguenay	MLS® Sales	1,260	1,250	-0.8	1,220	-2.4	311	349	-10.9
	MLS® Avg. Price	136,977	150,000	9.5	162,000	8.0	145,297	130,599	11.3
Sherbrooke	MLS® Sales	1,919	1,840	-4.1	1,785	-3.0	1,067	1,117	-4.5
	MLS® Avg. Price	184,892	187,650	1.5	189,525	1.0	183,394	178,061	3.0
Trois Rivieres	MLS® Sales	863	870	0.8	825	-5.2	224	260	-13.8
	MLS® Avg. Price	128,000	138,500	8.2	148,000	6.9	132,464	122,295	8.3
Quebec	MLS® Sales	80,338	75,900	-5.5	77,200	1.7	47,878	48,581	-1.4
	MLS® Avg. Price	208,240	218,100	4.7	224,000	2.7	210,982	200,742	5.1
Canada	MLS® Sales	520,192	458,300	-11.9	446,600	-2.6	251,550	289,525	-13.1
	MLS® Avg. Price	307,306	317,450	3.3	327,000	3.0	313,610	302,813	3.6

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*For the average MLS® price, the figure for the CMAs corresponds to the trend for the last four quarters, except in the case of Montréal. Also, the figure corresponds to the average price of freehold homes in the case of Montréal, Saguenay and Trois-Rivières and to the average price of all homes in the case of Gatineau, Québec and Sherbrooke

Source: CREA, Local Real Estate Boards

(F) = CMHC Forecast

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2007	Oct 2008(F)	Oct 2007	Oct 2008(F)
Gatineau	2.9	3.4	662	670
Montréal	2.9	3.1	647	650
Québec	1.2	1.2	641	654
Saguenay	2.8	2.8	490	500
Sherbrooke	2.4	2.1	529	545
Trois Rivières	1.5	1.8	487	497
Canada	2.6	4.8	s.o.	s.o

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

As a result of a change in methodology, the vacancy rate forecasts for 2008 reflect conventional dwellings exclusively, whereas the 2007 vacancy rates include seniors residences in apartments.

[1] All centres 100,000+

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